

AR45



THE
Consumers' Gas
COMPANY



126th ANNUAL REPORT for the year ended September 30, 1974

The cover

Natural gas, the product sold by your Company to its customers in eastern Canada, is produced primarily from reserves in western Canada.

In the early 1950's, your Company joined others in a successful pioneering effort to bring western Canadian natural gas reserves to market in eastern Canada.

Now, in the middle 1970's, production from those reserves cannot be looked upon to supply indefinitely the ever increasing demand.

Today we are looking beyond western Canada to Frontier areas where large reserves of gas are being discovered which, if developed with that same pioneering spirit, will ensure an adequate supply of this premium fuel for many years to come.



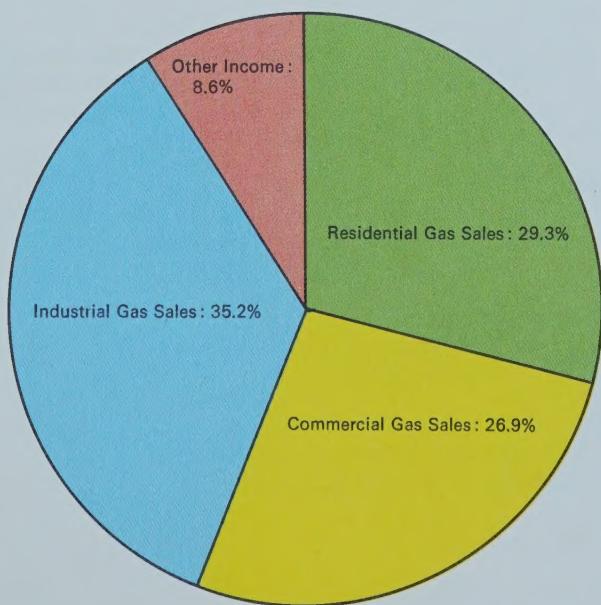
The Annual Shareholders' Meeting will be held at 11:00 a.m. January 6, 1975 in the Town Hall Theatre, St. Lawrence Centre, (adjacent to the O'Keefe Centre) 27 Front Street East, Toronto, Ontario.

Highlights

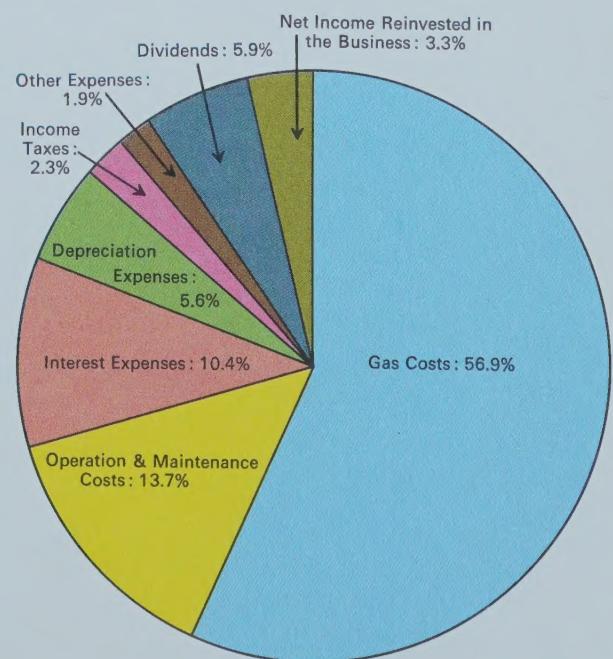
	1974	1973	% Increase
Basic earnings per common share (income before extraordinary items) . . .	\$1.50	\$1.39	7.9
Dividends declared per common share . . .	\$.91	\$.88	3.4
Net income for the year available for dividends and reinvestment in the business	\$26,397,000	\$26,785,000	(1.4)
Gas Sales – Mcf.	289,886,000	261,231,000	11.0
Number of active customers	472,331	447,395	5.6
Total revenues	\$282,756,000	\$234,970,000	20.3
Property, plant and equipment less accumulated depreciation and depletion.	\$510,751,000	\$467,053,000	9.4

THE 1974 REVENUE DOLLAR

Where it came from



Where it went



Directors and Officers

DIRECTORS

J. Douglas Gibson, O.B.E.†

Chairman of the Board – The Consumers' Gas Company, Canadian Reinsurance and Canadian Reassurance Companies, Eddy Match Company Limited
Director – Home Oil Company Limited, The Imperial Life Assurance Company of Canada, Harding Carpets Limited, Steel Company of Canada Limited, Bell Canada, National Trust Company, Limited, Moore Corporation Limited, Northern Electric Company Limited
Chairman of the Board of Trustees of Queen's University

J. C. McCarthy†

President and Chief Executive Officer – The Consumers' Gas Company
Chairman of the Board and Managing Director – Cygnus Corporation Limited
Director – Home Oil Company Limited, The Toronto-Dominion Bank, Scurry-Rainbow Oil Limited

J. K. Macdonald†

Chairman of the Board – Confederation Life Insurance Company
Director – Canada Permanent Companies, The Dominion Insurance Corporation

A. R. Poyntz†

Chairman of the Board – The Imperial Life Assurance Company of Canada, M.E.P.C.
Canadian Properties Limited
Director – Impco Properties Limited, The Investors Group

W. H. Zimmerman, Q.C.

Vice-Chairman – The Eaton Group of Mutual Funds
Director – Home Oil Company Limited, The Becker Milk Company Limited, Scythes & Company Limited, Inter-Provincial Diversified Holdings Ltd., Eaton Financial Services Limited

Hon. T. D'Arcy Leonard, C.B.E., Q.C.†

R. H. Carley, Q.C.

Partner – Carley, Lech & Lightbody, Solicitors
Director – Kesco Holdings Limited, Raybestos-Manhattan (Canada) Ltd.

Noah Torno, M.B.E.

Chairman of the Board and Chief Executive Officer – Jordan Valley Wines Limited
Director – Cygnus Corporation Limited, The Canada Trust Company, Cemp Investments (Ontario) Limited

D. B. Mansur, C.B.E.

Director – Royal Insurance Group

A. G. S. Griffin†

Chairman of the Board – Home Oil Company Limited, Triarch Corporation Limited, The Commercial Life Assurance Company of Canada, The Halifax Insurance Company, Scurry-Rainbow Oil Limited
President – Toronto & London Investment Company Limited
Director – Canadian Corporate Management Company Limited, Canadian Industries Limited, Raymond International Inc., United Dominions Corporation (Canada) Limited, Victoria and Grey Trust Company, Waltec Enterprises Limited, National Film Board, I. C. I. Americas Inc., Jonlab Investments Ltd.

H. E. Langford, Q.C.

Director – Home Oil Company Limited, The Dominion of Canada General Insurance Company, Empire Life Insurance Company, Victoria and Grey Trust Company, Scurry-Rainbow Oil Limited, E. L. Financial Corporation

G. W. Carpenter, P.Eng.

Executive Vice-President – The Consumers' Gas Company
Director – Home Oil Company Limited

R. S. Paddon, Q.C.

General Counsel – The Consumers' Gas Company
Partner – Aird, Zimmerman & Berlis, Solicitors

Orian E. B. Low, Q.C.

Counsel – Low, Murchison, Burns, Thomas & Haydon, Solicitors

Chairman of the Board – Holo Investments Ltd., Ottawa Investment Management Co. Ltd.

Chairman of the Executive Board – Ottawa Gas Company

Member of the Ottawa Advisory Board of Guaranty Trust

F. H. Newman, P.Eng.

President – Newman Bros. Co. Limited

Charles S. MacNaughton

Chairman of the Board – Fry Mills Spence Limited

Director – Redpath Industries Limited, Canadian Cable Systems Limited, Laidlaw Transportation Limited, Bank of Montreal, Sportsmen's Mutual Fund Limited, Canadian Canners Limited, Dynast Forest Products Limited

Chairman – Ontario Racing Commission

Ross F. Phillips

President and Chief Executive Officer – Home Oil Company Limited

President and Director – Scurry-Rainbow Oil Limited

Member – Calgary Advisory Board of Crown Trust

G. E. Creber, Q.C.

Director – The Huron and Erie Mortgage Corporation, The Canada Trust Company

†Executive Committee Member

OFFICERS

J. Douglas Gibson

Chairman of the Board

J. C. McCarthy

President and Chief Executive Officer

G. W. Carpenter

Executive Vice-President

K. J. Harry

Senior Vice-President

T. E. Gieruszczak

Vice-President Research and Special Projects

R. I. Jones

Vice-President and Chief Engineer

C. J. Kent

Vice-President Planning and Economics

R. S. Lougheed

Vice-President Gas Supply

A. R. MacKenzie

Vice-President Personnel

R. W. Martin

Vice-President Administration

E. W. H. Tremain

Vice-President, Treasurer and Assistant Secretary

George Wilkinson

Corporate Secretary

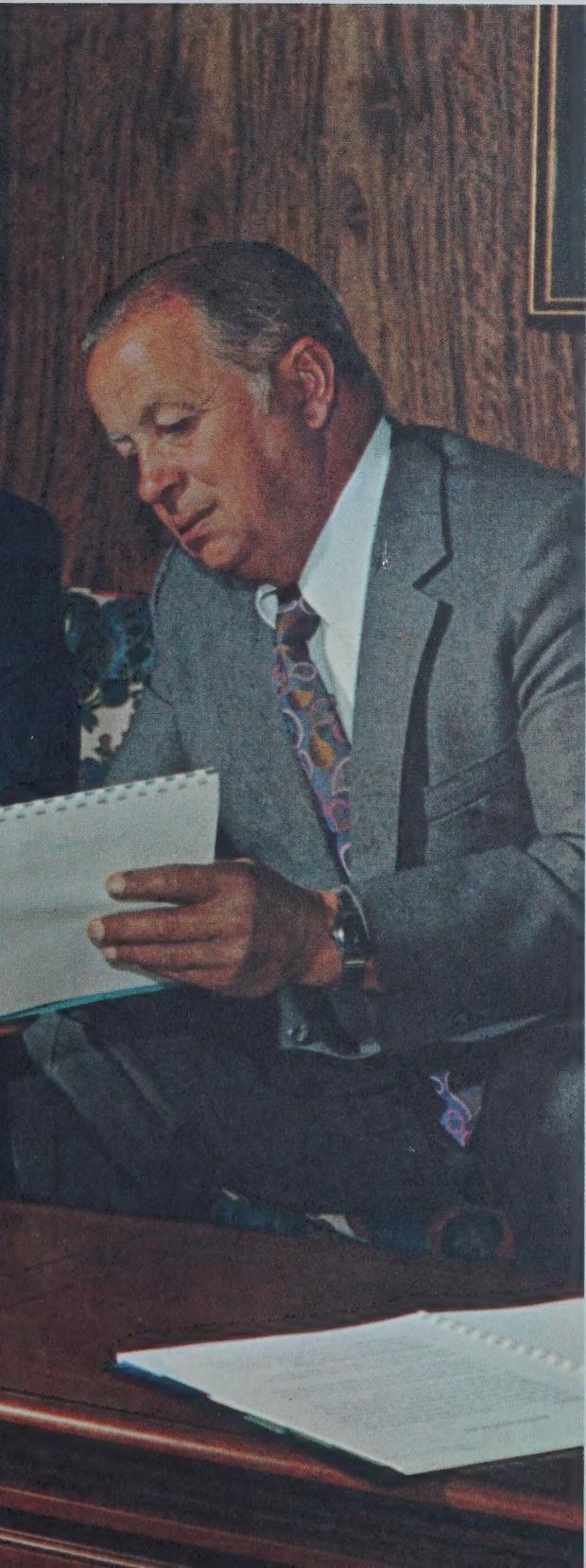
W. S. Pope

Assistant Treasurer

The involvement of senior management in the planning and review of regulatory submissions during the past year has been extensive. From left to right, Mr. J. C. McCarthy, President and Chief Executive Officer, Mr. K. J. Harry, Senior Vice-President and Mr. G. W. Carpenter, Executive Vice-President review exhibits filed with the Ontario Energy Board in support of an application before that Board.



Report to the Shareholders



Your directors are pleased to report the results for the fiscal year ending September 30, 1974 which indicate that basic income before extraordinary items increased from \$1.39 per common share in 1973 to \$1.50.

The demand for our product continued at a very high rate during the past year resulting in a record number of new customer additions. The costs of adding these customers and of providing service to our customers are increasing steadily as a result of the severe pressures of inflation, although continuous efforts are being made to keep these expenditures under control.

The regulatory process, the high cost of financing, the problems of future gas supply and the field price of natural gas have become the focus of attention within our industry. These issues are reviewed in the pages that follow in order to provide you with an understanding of the position of your Company in the development of the energy picture as we begin our 127th year of service to the community.

The financial results for 1974, as well as a 10 year history of the Company's progress, are detailed in the second section of this report beginning on page 17.

Gas Supply

The task of assuring a continuing and adequate gas supply occupies a great amount of your Management's time.

Substantially all the natural gas requirements of the Company are purchased under long term contracts with TransCanada PipeLines Limited which obtains its gas supply primarily from production in the Province of Alberta. The Company believes that volumes presently under contract with TransCanada PipeLines are ade-

(Top) The essential role played by gas storage in enabling the Company to meet the increased demand for its product during the winter months is graphically portrayed.

(Bottom) The compressor plant of Tecumseh Gas Storage Limited, located near Sarnia, Ontario, is currently undergoing its fifth expansion in capacity to meet the anticipated requirements for the 1975/76 heating season.

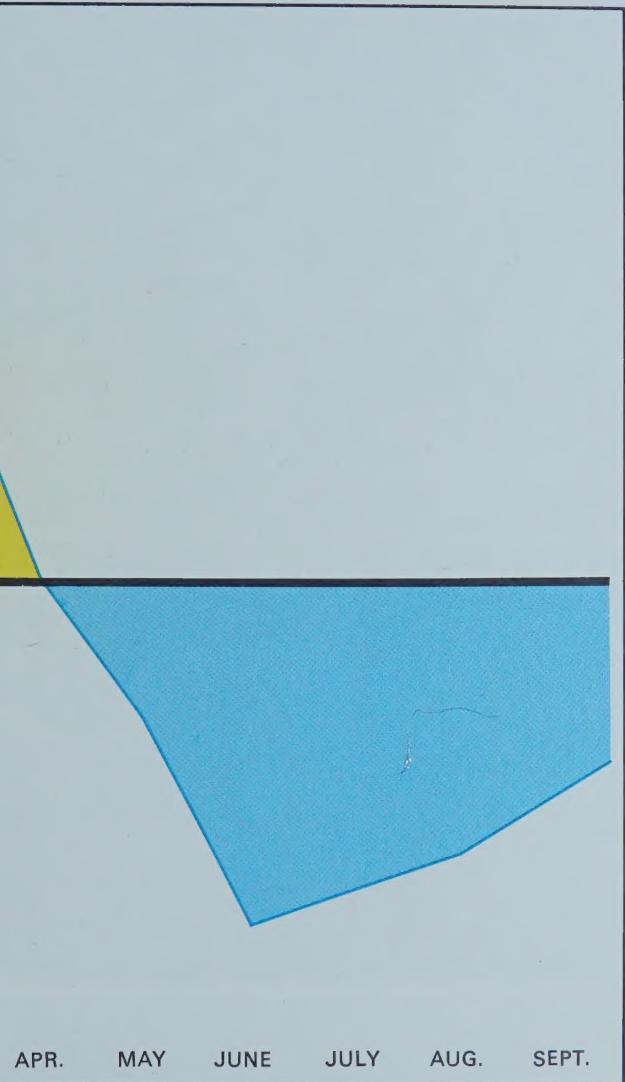
quate to meet normal market requirements through the 1975/76 season, after which additional volumes will be required for continued market growth. At the present time these additional volumes are not available from TransCanada. However, we believe that the resolution of current Federal/Provincial disagreement on energy matters would result in adequate new supplies being found in western Canada in sufficient quantities to meet essential demands until Frontier sources can be brought to market. Although additional reserves have been placed under contract by TransCanada recently, we are informed that all such new reserves are required to maintain deliverability at present contract levels.

The Company continues to support the efforts of Canadian Arctic Gas Study Limited to obtain necessary approval for the construction of a large diameter transmission facility from the Mackenzie Delta and Alaska to existing Canadian and United States markets. This project can provide Frontier gas to Canadian markets at what is believed to be the lowest cost and the earliest date of initial deliveries, of alternative projects.

The price of existing contract volumes is, to a large extent, determined by the decisions of arbitration boards in the Province of Alberta which establish the wellhead price for TransCanada's gas supply. Such decisions during the calendar year 1974 will result in an increase in the cost of the Company's gas supply of about \$73,000,000 in the twelve months commencing November 1, 1974 and additional significant increases are anticipated late in 1975. We believe, however, that our product will continue to be competitive in all sectors of the market after these increases in gas costs

THE CONSUMERS' GAS SYSTEM STORAGE UTILIZATION 1973-1974





are reflected in rates to the ultimate consumer.

Tecumseh Gas Storage Limited

Tecumseh Gas Storage Limited, a company owned jointly by your Company and Imperial Oil Limited, assists in the supply of gas to our customers in the winter heating season. Gas purchased but not sold during the summer months when demand is low is stored underground by Tecumseh and returned to market as required during the winter to supplement normal daily deliveries from TransCanada PipeLines. This assures the lowest possible cost of purchased gas and at the same time offers a considerable measure of short-term security against an unforeseen supply interruption.

Tecumseh's plant and storage field facilities, located near Sarnia in southwestern Ontario, are increased in capacity as necessary to meet the maximum daily requirements during the winter season. At the present time, Tecumseh has the capability of delivering 560 million cubic feet of gas per day which represents approximately 35% of Consumers' peak day requirements. Additional equipment is currently being installed to increase plant capacity to meet the anticipated requirements of the 1975/76 heating season.

Regulatory Proceedings

In 1973 the Company filed with the Ontario Energy Board an application for a review of the Company's Ontario Utility Operations. This application requested a determination by the Board of the assets used in providing gas service to Ontario customers (the rate base) and of an allowable rate of return which may be earned



(Top) "Mr. Neil" is a self-propelled catamaran-designed drilling platform in Lake Erie owned by Consumers' and operated by its wholly-owned subsidiary, Underwater Gas Developers Limited.

(Centre) Consumers' is looking to the Frontier areas in the North for the gas required to meet future needs. The Company continues to support the efforts of Canadian Arctic Gas Study Limited.

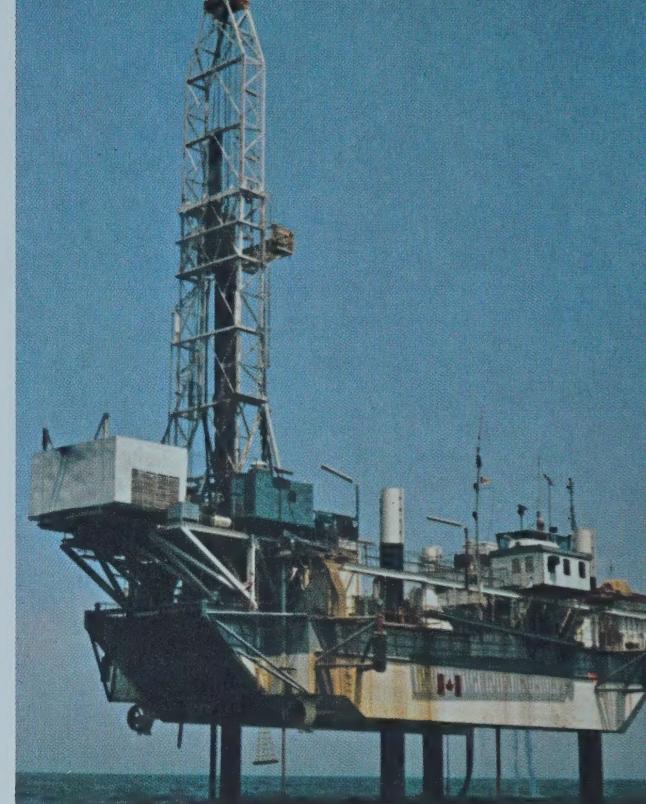
on that rate base, to service the Company's cost of debt and provide a fair and reasonable return to its shareholders. The public hearings on this application commenced on April 16, 1973 and following an extensive examination, the Board issued its decision on July 9, 1974.

In its Reasons for Decision, the Board determined that the rate base for the Company, based on the test year ended September 30, 1972, was \$429 million and that a reasonable rate of return on the Company's rate base was 9.35%. In so deciding, the Board determined that a 14% return on the equity portion of the Company's capital is appropriate at this time.

In this decision, the Board also determined that certain increases in rates collected on an interim basis were justified and therefore approved. It also found the Company's revenues based on the results of operations during the year under review were deficient in relation to the return allowed by \$2.9 million.

In September 1974, the Company made application to the Board and was granted permission to implement rates effective October 1, 1974 on an interim basis to recover the \$2.9 million increase found appropriate in the decision of July 9, 1974, as well as to recover an additional increase of 2.4¢ per Mcf in the cost of purchased gas from TransCanada approved by the National Energy Board effective September 1, 1974. Consumers' is also seeking to recover in its rates any additional revenues required to achieve a 9.35% rate of return in the most current estimates of results to be achieved for the 1975 fiscal period.

TransCanada recently received approval from the National Energy Board for a further increase in its rates





(Top) Mr. R. S. Lougheed, Vice-President Gas Supply, presents the Company's position on matters related to the availability of natural gas and pricing before various Federal and Provincial government bodies.

(Bottom) Substantially all of the Company's gas requirements are provided by TransCanada Pipe-Lines. Additional pipeline facilities are being installed near Maple, Ontario to increase the transmission capabilities of TransCanada.



of 24¢ per Mcf effective November 1, 1974. The Company has made application to the Ontario Energy Board for rate adjustments to offset this increase at hearings which commenced on November 4, 1974.

Gas Sales

Gas sales and revenues increased by approximately 28.7 Bcf and by \$44,758,000 respectively over the 1973 results. More than 25,000 new residential heating customers were added to the system. This was in part due to an active new home construction program and a noticeable increase in conversions from other fuels. The weather during the year was slightly colder than the previous year.

There is a continuing demand for natural gas as a clean burning premium fuel and your employees continue to work closely with developers, builders, consulting engineers and industry in general to ensure that our product is used in the most efficient manner.

Operations

The principal role of the Company is to distribute natural gas to some 472,000 customers in its franchised areas at the lowest practicable cost to the customers, while providing a reasonable return to our shareholders on their investment. Mains, services, meters, regulating stations and other equipment must be provided on a continuous basis to deliver our product to our customers. Capital expenditures during the year on these facilities amounted to \$55 million, an increase of 12.7% over the previous year.

In addition to the capital cost of these facilities the Company must operate and maintain its system to provide safe and efficient service to its many customers.

(Top) The Carstairs-Crossfield gas processing plant, operated by Home Oil, is located 35 miles northwest of Calgary, Alberta.

(Centre) Judy Cheyne checks a customer's account record on a micro-fiche reader in our Brampton office. Similar units will be installed in all area offices during the coming year.

Operating and maintenance costs during the past year amounted to \$39,385,000, an increase of 14.0% over similar costs in the previous year.

Exploration and Development

Exploration and development expenditures amounted to \$5.4 million for the year, up from \$4.7 million in 1973. The increase reflects further expansion of the Company's exploration for oil and gas in western Canada, and a significant offshore drilling programme in Hudson Bay in which the Company is participating through an agreement with Sogepet Limited.

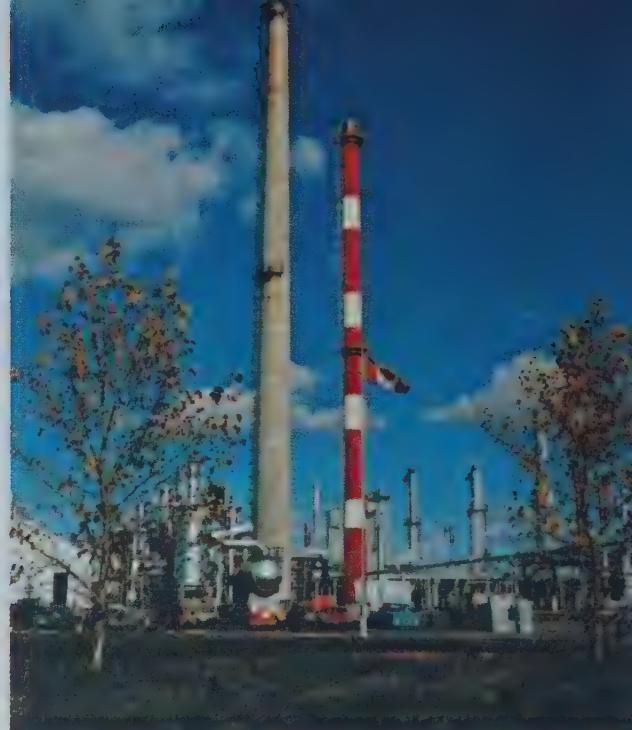
The Company, at September 30, 1974, had acquired in western Canada, an interest in 240,000 gross acres (71,000 net) for the purpose of exploration and development. In 1974 the Company participated with others in the drilling of eleven exploratory wells completing one gas well in British Columbia, five in Alberta and one oil well in Saskatchewan.

In Ontario, the Company maintained its high level of exploration under Lake Erie, drilling twenty-nine wells, eighteen of which were completed as gas wells.

Underwater Gas Developers Limited, Consumers' wholly-owned subsidiary, provides drilling services to Consumers' and others in Lake Erie and on shore in southern Ontario and New York State.

Research and Development

The Company continues to support research and development activities in the gas industry and has played a leading role in the recent formation of the Canadian Gas Research Institute. The Institute undertakes research on behalf of the Canadian Natural Gas Industry oriented towards the development of new and





(Top) Students at the George Brown College of Applied Arts and Technology cook over clean-burning natural gas stoves. The temperature control and even heat distribution provided by natural gas make it the ideal fuel for both home and commercial use.

(Bottom) New mains are added to the system every year to serve our growing markets and to maintain existing facilities.

more efficient gas burning equipment, reduction of maintenance and service problems, improvement of safety standards, conservation of energy and the reduction of atmospheric pollution.

In addition to co-sponsorship of the Institute's activities, the Company continues to place greater emphasis on research and development projects aimed at conserving energy and having a beneficial impact on the environment.

Other Activities

Consumers' continues to seek consulting opportunities throughout the world in which it can utilize its extensive experience and expertise. These activities play an important role in the development of our employees. An extensive planning and feasibility study relating to a major expansion of the existing gas distributing system in Rio de Janeiro was completed during the year for the Companhia Estuadel de Gas (CEG-GB) in consortium with Natron Engenharia S.A.

The real estate operations carried out by the Company's wholly-owned subsidiary, Consumers' Realty Limited, continue on a limited scale. Land previously held in Whitby has now been sold. Hunt Club Estates Limited, a company in which Consumers' Realty has a 50% interest, has sold serviced lots in the first phase of its residential subdivision in Ottawa.

In 1974, the Company sold its computer service bureau business, including software, service and support capabilities to AGT Data Systems Limited. This action has allowed the Company to replace its computer with a smaller less expensive unit. T-Scan Limited, 60% owned by the Company, ceased opera-

(Top) Natural gas enhances production of rock-wool insulation required in increasing quantities to conserve energy. Steel mill slag and sandstone are continuously melted at 2450° F in a cupola fired with natural gas prior to being blown into threads and water quenched.

(Centre) The living space in these townhouses has been increased by wall mounting the new Olsen unitary gas heating unit in an enclosed area on the balcony or patio of each home. The unit provides individual comfort control and is ideally suited for multiple occupancy housing.

tions in 1974 because it was unable to develop an economically viable market for the computer terminal it manufactured.

Personnel

At year end, approximately 2,700 employees, with a wide variety of skills and knowledge, served our customers and contributed in large measure to the success of the year's operations.

Approximately fifty percent of the Company's employees are represented by various union locals. One new collective agreement was signed during the year which provided improved wages and benefits in line with industry standards. Four collective agreements will expire and be re-negotiated prior to September 30, 1975.

Interim wage and salary adjustments were provided to our employees during June of 1974 in response to the rapid rate of inflation.

A number of training and educational programs were carried on during the year and your Company continues to assist in the development of individual employees to meet the future manpower requirements of the Company.

Financial

Income for the year, before extraordinary items, amounted to \$27,142,000, an improvement of \$1,978,000 over the previous year. Net income for the year declined from \$26,785,000 to \$26,397,000. The reason for this decline was the inclusion of a net extraordinary gain in 1973 versus an extraordinary loss in 1974 as described in the Consolidated Statement of Income on page 19.





(Top) A modern gas furnace is compact and efficient. A trained serviceman adjusts the furnace to provide a continuing supply of warmth and comfort. Proper maintenance is essential for the optimum conservation of fuel.

(Bottom) Modern communities, such as Erin Mills, stress open spaces and clean air. Natural gas is used extensively in this and many other such large developments.



The growth in income achieved in the fiscal year can be attributed mainly to the improvement in your Company's share of the earnings of Home Oil Company Limited. The equity in the earnings of Home amounting to \$3,335,000 reflects a provision of \$700,000 for the effect of the proposed retroactive tax increases contained in the Federal budget issued on November 18, 1974. The improvement in earnings from Utility Operations was limited by the impact of inflation and the increased cost of capital. Reference has been made in this report, under "Regulatory Proceedings", to the steps which the Company is taking to modify the adverse affect of these factors on its income.

Cash generated by the Company also increased but not in proportion to the increase in cash requirements for working capital and capital expenditures. Accounts receivable and the cost of gas in storage, resulting from higher priced gas on increased volumes have climbed significantly higher. These increases, together with a capital expenditure forecast of approximately \$70 million during the 1974/75 year, require a continuing infusion of additional capital.

The financial position of the Company was improved during the year by earnings reinvested in the business and a \$30 million bond issue. Subsequent to the year end the Company raised \$20 million through an issue of convertible preference shares and \$15 million through an issue of bonds.

In August 1974 your directors declared a dividend of 25 cents per share payable to common shareholders on October 1, 1974. This is an increase of 3 cents over the previous quarterly dividend.

(Top) Consumers' exhibit at the Canadian National Exhibition drew large crowds, as usual, acquainting thousands with the role of natural gas in the home and in the community.

(Bottom) The distribution of natural gas in Consumers' system goes beyond the large urban centres to small towns and rural areas such as this setting in Inglewood, Ontario.

Home Oil

Consumers' owns or controls 49.6% of the voting stock of Home Oil and participates in approximately 20% of Home's earnings. Consumers' share of Home's earnings is carried on the Consolidated Statement of Income on page 19 as 'Equity in Earnings – Home Oil Company Limited'. This interest in Home Oil has enabled the Company to participate more extensively in oil and gas activities in Canada and elsewhere.

Home is engaged in the exploration for and the production and transportation of crude oil, natural gas and natural gas liquids and in the underground storage and marketing of natural gas liquids. It also has investments in Atlantic Richfield Company and Trans-Canada. Home is conducting exploration programmes for oil and gas in western Canada, the Yukon and Northwest Territories, the Arctic Islands and New Brunswick. In addition, exploration activities are being carried out by Home in the United States (including the Gulf Coast off shore areas), the United Kingdom (including the North Sea), Oman and Italy. In 1974 Home acquired a major liquid petroleum gas storage facility in Kansas and increased its holdings in Scurry-Rainbow Oil Limited to 85.5%.

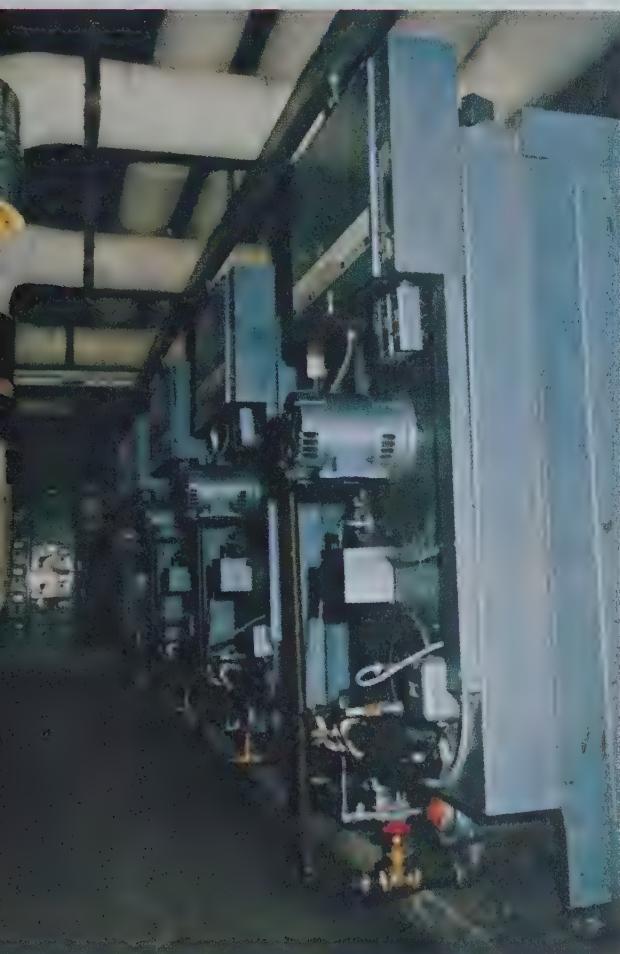
The long term adverse effect of the proposed Federal tax changes, relating to the natural resource industry, on Home's operations cannot be determined fully at this time since it will be affected, no doubt, by the outcome of the intergovernmental dispute over taxation of the industry.

Copies of the Annual Report of Home Oil Company Limited can be obtained by writing to: The Secretary, The Consumers' Gas Company.





(Top) A commercial broiler using natural gas fired infra red burners combines the superior efficiency achieved with infra red heating with the uniform distribution of heat through convection currents.



(Centre) This central heating system, installed on the roof of an apartment complex, uses safe, clean and dependable natural gas.



Appointments

We are pleased to record the appointment of Mr. George Edgar Creber, Q.C. of Toronto during the year to fill a vacancy on the Board of Directors.

On December 10, 1973 the following Company Officers were appointed by the Board of Directors:

Mr. K. J. Harry, Senior Vice-President;

Mr. T. E. Gieruszczak, Vice-President Research and Special Projects;

Mr. R. I. Jones, Vice-President and Chief Engineer;

Mr. C. J. Kent, Vice-President Planning and

Economics;

Mr. R. S. Lougheed, Vice-President Gas Supply;

Mr. A. R. MacKenzie, Vice-President Personnel;

Mr. R. W. Martin, Vice-President Administration;

Mr. E. W. H. Tremain, Vice-President and Treasurer; and

Mr. G. Wilkinson, Corporate Secretary.

Outlook

Today, Consumers' looks to the future fully aware of the demanding challenge of supplying energy to our franchise areas in Ontario, Quebec and Northern New York State.

The maintenance of sufficient reserves to supply an expanding natural gas industry in Canada requires an ongoing expenditure of vast amounts of exploration funds by the industry.

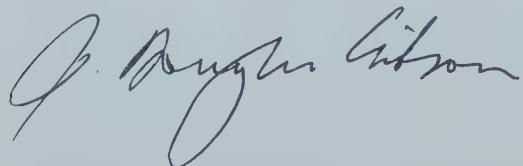
The higher prices resulting from the increasing world wide demands for energy should provide sufficient incentive to producers to maintain this required high level of exploration activity.

Unfortunately, however, the absence of a unified Canadian energy policy, together with the differing



views held by the Federal and Provincial governments over the appropriate level of taxation and other levies to be imposed on the oil and gas industry have led to uncertainties, the consequence of which is a sharp decline in exploration expenditures in Canada, at a time when efforts to find additional supplies are urgently needed.

We believe that a prompt resolution of these differences would be a significant step in assuring adequate volumes of natural gas at reasonable prices for the future.

A handwritten signature in black ink, appearing to read "J. Douglas Gibson".

Chairman of the Board
November 25, 1974

This is Toronto as you see it today from the world's tallest free-standing structure, the new CN tower. For over 126 years Consumers' Gas has played an increasing role in the development and progress of Toronto and the surrounding areas.

A handwritten signature in black ink, appearing to read "John Gately".

President

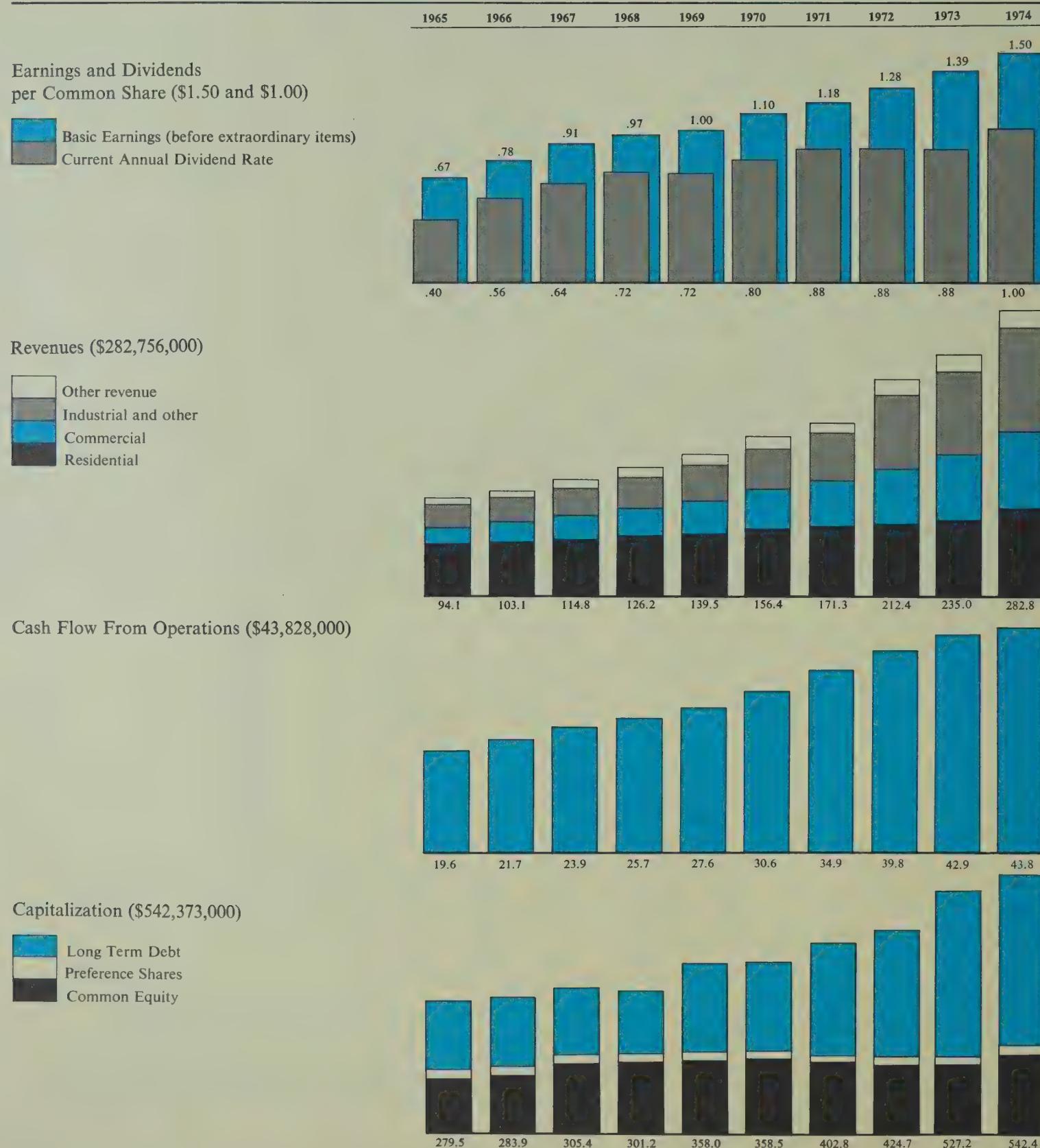


THE
Consumers' Gas
COMPANY

September 30, 1974

FINANCIAL STATEMENTS

The Consumers' Gas Company and subsidiary companies



Consolidated Statement of Income

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

	Years ended	September 30
	1974	1973
REVENUE		
Gas sales	\$262,398	\$217,640
Other	20,358	17,330
	<u>282,756</u>	<u>234,970</u>
COSTS AND EXPENSES		
Gas costs	163,565	127,425
Operation and maintenance	39,385	34,553
Depreciation and depletion	15,954	14,745
Municipal and other taxes	4,789	4,281
Interest and amortization – long term debt	26,608	22,985
Other interest	3,187	1,995
	<u>253,488</u>	<u>205,984</u>
	29,268	28,986
Equity in earnings before extraordinary items (note 1)		
Home Oil Company Limited	3,335	2,382
Tecumseh Gas Storage Limited and other companies	1,194	1,051
Income before income taxes and extraordinary items.	<u>33,797</u>	<u>32,419</u>
Income taxes (note 1)		
Current	3,833	3,316
Deferred	2,822	3,939
	<u>6,655</u>	<u>7,255</u>
Income before extraordinary items.	<u>27,142</u>	<u>25,164</u>
Extraordinary items		
Share of loss on sale of investments by Home Oil Company Limited.	(745)	—
Gain on sale of surplus land	—	2,207
Share of provision in Home Oil Company Limited for write-down of investment in gas processing plant	—	<u>(586)</u>
Net income for the year available for dividends and reinvestment in the business	<u>26,397</u>	<u>26,785</u>
Dividends		
Preference shares	862	875
Common shares	<u>15,934</u>	<u>15,409</u>
	<u>16,796</u>	<u>16,284</u>
Net income reinvested in the business	<u>\$ 9,601</u>	<u>\$ 10,501</u>
Basic earnings per common share (note 1)		
Income before extraordinary items	\$ 1.50	\$ 1.39
Net income	<u>\$ 1.46</u>	<u>\$ 1.48</u>
Fully diluted earnings per common share (note 1)		
Income before extraordinary items	\$ 1.39	\$ 1.29
Net income	<u>\$ 1.35</u>	<u>\$ 1.37</u>

Consolidated Balance Sheet

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

	September 30	
	<u>1974</u>	<u>1973</u>
ASSETS		
CURRENT ASSETS		
Cash and deposits	\$ 1,898	\$ 1,573
Accounts receivable (including amounts receivable on merchandise finance plan, 1974 – \$10,185, 1973 – \$9,744)	34,891	28,679
Materials and supplies at the lower of cost and replacement cost	7,209	5,758
Gas stored underground at cost	34,199	23,003
Prepaid expenses	1,303	1,636
	<u>79,500</u>	<u>60,649</u>
INVESTMENTS (note 1)		
Home Oil Company Limited at equity in underlying net assets (note 2)	40,568	38,488
Home Oil Company Limited Class A share purchase warrants at cost (note 2)	3,600	—
Tecumseh Gas Storage Limited and other companies at equity in underlying net assets	8,696	7,630
Other investments at cost (note 2)	15,053	18,189
	<u>67,917</u>	<u>64,307</u>
PROPERTY, PLANT AND EQUIPMENT at cost or redetermined value (notes 1 and 3)	601,649	549,692
Accumulated depreciation and depletion	90,898	82,639
	<u>510,751</u>	<u>467,053</u>
OTHER ASSETS AND DEFERRED CHARGES		
Mortgages receivable	6,683	8,276
Property held for resale and other assets at cost	2,060	2,453
Investment in Gas Arctic – Northwest Project Study Group (note 1)	2,400	1,572
Deferred gas costs (note 1)	7,263	7,263
Unamortized debt discount and expense (note 1)	3,716	3,699
Other deferred charges.	1,382	2,443
	<u>23,504</u>	<u>25,706</u>
	<u>\$681,672</u>	<u>\$617,715</u>

Approved by the Board:

J. C. McCarthy, Director

J. K. Macdonald, Director

LIABILITIES

	September 30	
	<u>1974</u>	<u>1973</u>
CURRENT LIABILITIES		
Bank borrowings	\$ 14,786	\$ 8,153
Notes payable	45,140	23,517
Accounts payable and accrued	32,129	26,951
Accrued interest on long term debt	7,230	6,207
Taxes payable	3,022	1,399
Dividends payable October 1	4,592	4,069
Funded debt payable within one year	<u>12,594</u>	<u>1,807</u>
	<u>119,493</u>	<u>72,103</u>
LONG TERM DEBT		
Funded debt (notes 4 and 8)	361,752	345,362
Mortgages payable	587	1,725
Note payable 8 1/8%, due January 1975	—	10,000
	<u>362,339</u>	<u>357,087</u>
DEFERRED INCOME TAXES (note 1)	<u>18,609</u>	<u>16,224</u>
MINORITY INTEREST IN SUBSIDIARY COMPANIES	<u>1,197</u>	<u>2,114</u>
SHAREHOLDERS' EQUITY		
Capital stock		
Preference shares (notes 5 and 8)	15,790	16,012
Common shares (note 6)		
Authorized – 75,000,000 shares without par value		
Issued – 17,510,173 shares (1973 – 17,510,173 shares)	72,940	72,940
Contributed surplus	3,364	3,293
Excess of net redetermined value of property, plant and equipment over depreciated book cost (note 1)	14,808	15,024
Reinvested earnings	<u>73,132</u>	<u>62,918</u>
	<u>180,034</u>	<u>170,187</u>
	<u><u>\$681,672</u></u>	<u><u>\$617,715</u></u>

Consolidated Statement of Reinvested Earnings

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

	Years ended	September 30
	1974	1973
Balance at beginning of year	\$ 62,918	\$ 54,596
Net income reinvested in the business	9,601	10,501
Amounts realized through depreciation provisions, transferred from excess of net redetermined value of property, plant and equipment over depreciated book cost . . .	330	309
	<u>72,849</u>	<u>65,406</u>
 Deduct		
Excess of investment in shares over equity in underlying net assets at dates of acquisition		
Cygnus Corporation Limited and other subsidiaries (note 1)	—	4,665
Adjustment arising on conversion of debentures in Home Oil Company Limited.	(283)	(2,177)
	<u>(283)</u>	<u>2,488</u>
Balance at end of year	<u>\$ 73,132</u>	<u>\$ 62,918</u>

Consolidated Statement of Changes in Financial Position

The Consumers' Gas Company and subsidiary companies
(Expressed in Thousands)

	Years ended	September 30	
	1974	1973	
SOURCE OF WORKING CAPITAL			
Cash flow from operations	\$ 43,828	\$ 42,918	
Issue of long term debt excluding mortgages payable.	30,000	104,728	
Issue of common shares	—	14	
Sale of investment in shares of other companies	3,552	—	
Reduction in mortgages receivable and other assets, net	1,134	800	
	78,514	148,460	
USE OF WORKING CAPITAL			
Net additions to property, plant and equipment	59,628	53,059	
Investment in shares of subsidiary companies adjusted for working capital position at dates of acquisition	344	15,405	
Investment in warrants of Home Oil Company Limited	3,600	—	
Investment in shares of other companies	898	1,128	
Investment in Gas Arctic - Northwest Project Study Group	828	1,572	
Deferral of increased cost of gas	—	3,703	
Reduction in non-current portion of long term debt excluding mortgages payable . . .	23,610	9,947	
Preference shares purchased for cancellation	151	248	
Debt issue costs.	338	1,503	
Dividends on preference and common shares	16,796	16,284	
Decrease in mortgages payable, net	96	(436)	
Miscellaneous items	764	1,121	
	107,053	103,534	
INCREASE (DECREASE) IN WORKING CAPITAL POSITION	\$ (28,539)	\$ 44,926	

Notes to Consolidated Financial Statements

The Consumers' Gas Company and subsidiary companies

NOTE 1 SUMMARY OF ACCOUNTING POLICIES

The accounting methods and practices used by the company and its subsidiaries in their utility operations are subject to the jurisdiction of various regulatory bodies.

Principles of Consolidation

- (i) The consolidated financial statements include the accounts of all subsidiary companies since dates of acquisition. The excess of investment in shares of such subsidiaries over equity in underlying net assets at dates of acquisition was charged to reinvested earnings in 1973 and prior years. The major operating subsidiary companies are: Consumers Realty Limited, Cygnus Corporation Limited, Niagara Gas Transmission Limited, St. Lawrence Gas Company Inc., Société Gazifère de Hull, Inc., and Underwater Gas Developers Limited.
- (ii) The companies follow the equity method of accounting for their investment in the following:
 - (a) Home Oil Company Limited (effectively controlled) in which the company holds a direct interest of 8% and a further interest of 12% through its subsidiary Cygnus Corporation Limited, which is 95% owned (94% owned in 1973).
 - (b) Community Antenna Television Ltd. in which Cygnus has an interest of 37%, and
 - (c) Tecumseh Gas Storage Limited and other companies 50% owned.

This method of accounting reflects the company's interest in the earnings of such companies in the consolidated statement of income and the investments in such companies are carried on the consolidated balance sheet at equity in underlying net assets. The excess of investment in shares of such companies over equity in underlying net assets at dates of acquisition was charged to reinvested earnings in 1973 and prior years. Dividends received on investments for which the company follows the equity method of accounting amounted to \$1,467,000 in 1974 and \$1,313,000 in 1973.

Property, Plant and Equipment

All land, plant and equipment is stated at cost, with the exception of the remaining portion of gas utility plant and equipment acquired by the company prior to September 30, 1955 which is stated at a redetermined value of \$47,587,000 at September 30, 1974, based on reproduction cost according to an appraisal made by Stone & Webster Canada Limited as at September 30, 1955.

Accumulated depreciation at the date of the appraisal was based on estimated service life.

The increase in the depreciated value of property, plant and equipment resulting from the 1955 redetermination (less portions of such increase realized through disposals and depreciation provisions and adjustments for the years 1956 to 1974) has been included in shareholders' equity as excess of net redetermined value of property, plant and equipment over depreciated book cost.

Depreciation and Depletion

In accordance with the recommendations contained in studies by Stone & Webster Canada Limited, depreciation is calculated on the straight line service life basis at varying rates using the recorded values of depreciable properties. The rates, when applied to the appropriate plant accounts, are equivalent to a composite rate of approximately 2.7%.

The company follows the full cost method of accounting for gas and oil operations whereby all costs of exploring for and developing gas and oil and related reserves, which to date have all been expended in Canada, are capitalized and form part of property, plant and equipment. Such costs include land acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells and overhead expense related to exploration activities. These costs are depleted using the unit of production method based upon estimated recoverable reserves.

Investment in Gas Arctic – Northwest Project Study Group

The company is participating along with other major gas and oil companies in a study to determine the feasibility of constructing a gas transmission pipeline from Northwest Canada and Alaska to markets in Canada and the United States.

If the project is determined to be feasible and the necessary regulatory approvals are received, the company's contribution might be converted to a share or other security interest in the permanent financing of the pipeline (pro-rata with other members of the study group); otherwise the investment will be written off to the extent that it is not recovered.

Deferred Gas Costs

During 1972 and 1973, the company paid TransCanada PipeLines Limited \$7,263,000 to enable it to finance the construction of additional pipeline facilities necessary to deliver the gas volumes required by the company. In accordance with Accounting Order U.A. 11 made by the Ontario Energy Board, this amount has been deferred in the company's accounts. This amount will be amortized over a period of ten years commencing October 1, 1974, the date of the interim increase granted by the Ontario Energy Board.

Notes to Consolidated Financial Statements (cont'd)

Unamortized Debt Discount and Expense

The company defers the costs incurred on debt issues to be charged to income over the life of each issue. Discounts realized on bonds purchased for sinking fund purposes are applied against the unamortized debt discount and expense related to each issue. When the deferred costs related to each issue are eliminated the discount on purchase is included in income. Amounts so included were \$414,000 in 1974 and \$289,000 in 1973.

Interest and Overhead

The companies include in plant the cost to the companies for the use of funds for the purposes of construction and the applicable overhead costs attributed to construction. The amounts so included were \$3,182,000 in 1974 and \$2,898,000 in 1973.

Retirement Plans

The companies have contributory retirement plans to cover substantially all employees. The normal retirement benefits under these plans commence at age 65. The estimated unfunded past service liability of the companies at January 1, 1974, according to an independent actuarial calculation amounted to \$3,700,000. This obligation will be satisfied and charged to operations over 16 years in equal annual instalments. The amounts estimated in the actuarial calculations to be sufficient to fund all current costs of the plans are charged to operations in the year incurred.

Income Taxes

The companies follow the tax allocation basis of recording income taxes except in gas utility and like operations. In gas utility and like operations, where tax reductions arising from the differences in timing of deductions for income and for tax purposes continue to accumulate for many years, rate and revenue structures are designed not to recover deferred taxes in current revenues and accordingly deferred taxes are not recorded in the companies' accounts. Such deferred taxes not recovered in revenues and not recorded amounted to \$7,300,000 in 1974, \$6,500,000 in 1973, and to an accumulated amount of \$78,100,000 at September 30, 1974.

The 5% investment tax credit granted by the Government of Ontario is based on investment in expansion of plant. For this reason, the company is deferring the reduction in corporate income taxes which it has received and is amortizing this tax reduction over a five year period to offset in part the cost of carrying such new investment during the first five years of customer build up and consequent lower return thereon. Accordingly \$415,000 has been reflected in income in both 1974 and 1973, and the remaining \$792,000 recorded to date is included in deferred income taxes to be amortized over future years.

Earnings Per Share

Earnings per share have been calculated on the weighted average number of shares outstanding during the year. Fully diluted earnings per share assumes the conversion of the convertible debentures and the exercise of the stock options.

NOTE 2 INVESTMENTS

The Company holds directly 389,084 Class A shares and 276,788 Class B voting shares of Home Oil Company Limited. Cygnus Corporation Limited holds 1,000,000 Class B voting shares of Home and during 1974 acquired from third parties, for \$3.6 million, warrants to purchase Class A shares of Home Oil Company Limited as follows: 76,975 shares at \$14.55 U.S. per share and 32,990 shares at \$17.66 U.S. per share, exercisable on or before April 30, 1980.

Details of other investments are as follows:

	1974			1973		
	Number of Shares	Cost	Quoted Market Value	Number of Shares	Cost	Quoted Market Value
	(Expressed in Thousands)			(Expressed in Thousands)		
Union Gas Limited - common shares	700,000	\$12,846	\$ 5,688	700,000	\$12,846	\$ 7,088
Atlantic Richfield Company - common shares . . .	16,000	1,693	1,184	50,000	5,290	4,763
Sogepet Limited - common shares	759,500	514	684	44,500	53	73
		<u>\$15,053</u>	<u>\$ 7,556</u>		<u>\$18,189</u>	<u>\$11,924</u>

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the property, plant and equipment and related accumulated depreciation and depletion:

	1974		1973	
	Asset	Accumulated Depreciation and Depletion	Asset	Accumulated Depreciation and Depletion
		(Expressed in Thousands)		(Expressed in Thousands)
Gas utility plant including distribution, transmission and underground storage facilities, land, structures, pipelines, permissions, equipment, etc. .	\$567,713	\$ 84,198	\$522,124	\$ 77,470
Natural resource properties (mainly under Lake Erie) including wells, gathering lines and exploration and development costs	25,644	2,437	21,076	1,884
Drilling and related equipment	5,363	2,645	3,868	2,105
Other	2,929	1,618	2,624	1,180
	<u>\$601,649</u>	<u>\$ 90,898</u>	<u>\$549,692</u>	<u>\$ 82,639</u>

Notes to Consolidated Financial Statements (cont'd)

NOTE 4 FUNDED DEBT

	Maturity	Amount Outstanding		
		(Expressed in Thousands)	1974	1973
The Consumers' Gas Company				
First Mortgage Sinking Fund Bonds (see note 8)				
3 3/4% Series A	1974	\$ 4,500	\$ 4,500	
5% Series B.	1978	12,155	12,766	
5 1/2% Series C.	1983	16,059	16,059	
4.85% Series D (U.S. \$12,685,000, \$13,250,000 in 1973)	1985	13,617	14,224	
8 5/8% Series E.	1993	60,000	60,000	
8% Series F (U.S. \$15,000,000)	1993	14,728	14,728	
8 3/4% Series G	1994	20,000	20,000	
9 1/8% Series H	1995	30,000	—	
Sinking Fund Debentures				
4 1/4%	1974	3,000	3,000	
4 3/4%	1976	4,277	4,431	
5 3/4%	1977	3,045	3,235	
6 1/2%	1979	6,183	6,550	
6%	1981	9,672	9,693	
5 1/2%	1982	7,257	7,497	
5 3/4%	1984	8,734	8,734	
5 5/8%	1985	16,696	17,051	
8 1/8%	1991	49,800	50,000	
8%	1992	32,000	32,000	
Convertible Sinking Fund Debentures				
5 1/2% (convertible into common shares at a conversion price of \$23.53 per share— see note 8)	1989	59,998	59,998	
St. Lawrence Gas Company, Inc.				
First Mortgage Sinking Fund Bonds				
5 1/4% (U.S. \$2,424,000, \$2,496,000 in 1973)	1988	2,625	2,703	
Less payable within one year included in current liabilities				
		374,346	347,169	
		12,594	1,807	
		<u>\$361,752</u>	<u>\$345,362</u>	

The aggregate principal amounts of funded debt maturities and sinking fund requirements amount to approximately \$10,626,000 in 1976 and \$10,403,000 in 1977.

NOTE 5 PREFERENCE SHARES

Authorized (see note 8)

Group 1— 157,902 shares of \$100 each, issuable in series

Group 2— 1,000,000 shares of \$100 each, issuable in series

Group 3—15,000,000 6½% convertible shares of \$14 each

Outstanding, Group 1

	1974		1973	
	Shares	Amount	Shares	Amount
5½% cumulative Series A, redeemable at a premium reducing from 2% to 1% .	44,101	\$ 4,410,100	44,901	\$ 4,490,100
5½% cumulative Series B, redeemable at a premium reducing from 2% to 1% .	88,601	8,860,100	89,516	8,951,600
5% cumulative Series C, redeemable at a premium reducing from 3% to 1% . .	25,200	2,520,000	25,700	2,570,000
		<u>\$15,790,200</u>		<u>\$16,011,700</u>

A retirement fund for the purchase of each series of preference shares for cancellation is required to be maintained in the amounts of \$100,000 for the Series A shares, \$200,000 for the Series B shares, and \$60,000 for the Series C shares. These funds are required to be augmented on January 2 of each year by the amounts necessary to re-establish them at the original amounts to the extent that this obligation has not been satisfied by purchase of preference shares for cancellation in prior years. At September 30, 1974 no balance remained in the retirement funds as they had been fully used to purchase preference shares for cancellation.

During the year 800 Series A, 915 Series B and 500 Series C preference shares having an aggregate par value of \$221,500 were purchased for cancellation. The amount of \$71,000 by which the par value exceeded the purchase price is included in contributed surplus.

NOTE 6 COMMON SHARES

2,549,915 common shares are reserved for issue upon conversion of the 5½% convertible sinking fund debentures (see note 8).

Under the terms of the Restricted Stock Option Plan approved by the common shareholders on November 19, 1956, 890,874 common shares have been set aside for purchase by key employees. At September 30, 1974, 801,117 shares had been issued under this plan and options are outstanding on 49,400 shares at \$17.55 per share, and 37,557 shares at \$14.07 per share. The last of these options expires on August 6, 1979. A total of 121 employees hold options under the Restricted Stock Option Plan.

Notes to Consolidated Financial Statements (cont'd)

NOTE 7 REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

In 1974 the company paid \$616,000 to 31 directors and senior officers and in 1973 \$392,000 to 20 directors and senior officers.

NOTE 8 CONTINGENT LIABILITIES AND SUBSEQUENT EVENTS

The company has entered into an agreement whereby it agrees to make sufficient use of the facilities of Tecumseh Gas Storage Limited to generate the revenue required by Tecumseh to meet its obligations under Trust Indentures relating to its Series A and Series B debentures. In the event that there is any deficiency, the company will be required to purchase subordinated securities in an amount sufficient to make up the deficiency. The management of the company is of the opinion that Tecumseh will generate sufficient revenue to meet its obligations.

The company on October 4, 1974 amended its articles changing the authorized capital of the company by redividing, reclassifying and redesignating the 1,000,000 preference shares group 2 of \$100 each, issuable in series and the 15,000,000 6½% convertible preference shares group 3 of \$14 each into 6,000,000 preference shares group 2 with a par value of \$25 each, issuable in series and 8,000,000 preference shares group 3 with a par value of \$20 each, issuable in series.

On October 30, 1974 the company issued \$15 million 11¾% First Mortgage Sinking Fund Bonds, Series I maturing August 15, 1994.

On November 1, 1974 the company issued 1,000,000 9% Cumulative Convertible Redeemable Preference Shares, Group 3, First Series with a par value of \$20 each, convertible into common shares at a conversion price of \$15 per share, for an aggregate purchase price of \$20,000,000 less an underwriting commission of \$700,000. The issue of these shares will result in a reduction in the conversion price on the 5½% Convertible Sinking Fund Debentures maturing February 1, 1989 from \$23.53 to \$22.926 and an increase from 2,549,915 to 2,617,113 in the common shares reserved for issue on conversion of such debentures.

TransCanada has received approval from the National Energy Board of an increase in its rates effective November 1, 1974 which will increase the Company's cost of gas by approximately \$73 million annually. The Company has made application to the Ontario Energy Board for approval of an increase in rates to its customers to offset this additional cost of purchased gas.

Auditors' Report

Thorne
Gunn
& Co.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders of
The Consumers' Gas Company

We have examined the consolidated balance sheet of The Consumers' Gas Company and subsidiary companies as at September 30, 1974 and the consolidated statements of income, reinvested earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at September 30, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants

Toronto, Canada
November 25, 1974

OFFICES THROUGHOUT CANADA AND ASSOCIATES THROUGHOUT THE WORLD

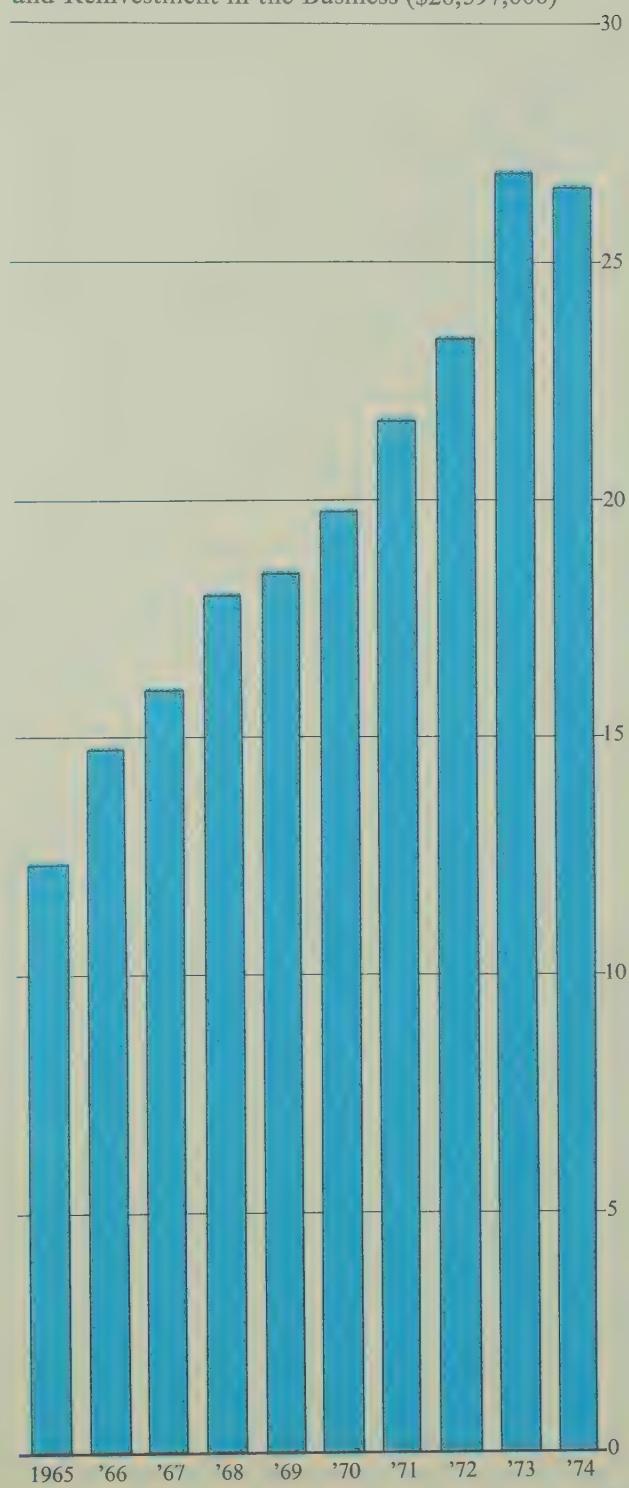
Financial and Operating Statistics—1965-1974

Years ended September 30

	1974	1973	1972	1971	1970
Consolidated Statement of Income (\$000's)					
Gas sales					
Residential	\$ 84,061	\$ 75,271	\$ 70,122	\$ 67,325	\$ 65,177
Commercial	77,333	62,603	55,178	46,406	40,041
Industrial and other	101,004	79,766	72,113	44,549	39,599
Total gas sales	262,398	217,640	197,413	158,280	144,817
Other revenue	20,358	17,330	15,036	13,011	11,573
	282,756	<u>234,970</u>	<u>212,449</u>	<u>171,291</u>	<u>156,390</u>
Gas costs	163,565	127,425	115,596	85,413	77,294
Operation and maintenance	39,385	34,553	31,513	27,023	24,107
Depreciation and depletion	15,954	14,745	13,049	11,237	10,114
Municipal and other taxes	4,789	4,281	4,266	4,180	3,865
Interest and amortization—long term debt	26,608	22,985	15,878	12,922	10,389
Other interest	3,187	1,995	2,865	2,254	2,116
	253,488	<u>205,984</u>	<u>183,167</u>	<u>143,029</u>	<u>127,885</u>
	29,268	28,986	29,282	28,262	28,505
Equity in earnings before extraordinary items					
Home Oil Company Limited	3,335	2,382	915	116	—
Tecumseh Gas Storage Limited and other companies	1,194	1,051	876	832	635
Income before income taxes and extraordinary items	33,797	<u>32,419</u>	<u>31,073</u>	<u>29,210</u>	<u>29,140</u>
Income taxes					
Current	3,833	3,316	4,368	5,287	7,841
Deferred	2,822	3,939	3,394	2,362	1,140
	6,655	<u>7,255</u>	<u>7,762</u>	<u>7,649</u>	<u>8,981</u>
Income before extraordinary items	27,142	25,164	23,311	21,561	20,159
Extraordinary items	(745)	1,621	—	—	(367)
Net income for the year available for dividends and reinvestment in the business	26,397	<u>26,785</u>	<u>23,311</u>	<u>21,561</u>	<u>19,792</u>
Preference share dividends	862	<u>875</u>	<u>901</u>	<u>919</u>	<u>940</u>
Net income available for common share dividends and reinvestment in the business	\$ 25,535	<u>\$ 25,910</u>	<u>\$ 22,410</u>	<u>\$ 20,642</u>	<u>\$ 18,852</u>
Basic earnings per common share					
Before extraordinary items	\$ 1.50	\$ 1.39	\$ 1.28	\$ 1.18	\$ 1.10
After extraordinary items	\$ 1.46	\$ 1.48	\$ 1.28	\$ 1.18	\$ 1.08
Fully diluted earnings per common share					
Before extraordinary items	\$ 1.39	\$ 1.29	\$ 1.20	\$ 1.11	\$ 1.04
After extraordinary items	\$ 1.35	\$ 1.37	\$ 1.20	\$ 1.11	\$ 1.02

1969	1968	1967	1966	1965
59,737	\$ 58,860	\$ 55,332	\$ 52,432	\$ 49,999
33,934	27,532	23,694	19,853	16,203
36,086	30,982	28,386	24,898	22,665
129,757	117,374	107,412	97,183	88,867
9,788	8,791	7,366	5,964	5,260
139,545	126,165	114,778	103,147	94,127
68,753	59,605	54,079	49,696	44,600
21,088	20,226	19,076	17,769	17,585
9,259	8,541	7,793	7,018	6,363
3,725	2,958	2,875	2,514	2,278
9,463	7,560	7,774	7,958	7,031
1,683	1,519	1,037	351	895
113,971	100,409	92,634	85,306	78,752
25,574	25,756	22,144	17,841	15,375
—	567	586	454	318
—	—	—	—	152
26,141	26,342	22,598	18,159	15,527
7,440	8,373	6,507	3,446	2,416
280	54	49	1,353	1,501
7,720	8,427	6,556	4,799	3,917
18,421	17,915	16,042	13,360	11,610
—	—	—	1,436	809
18,421	17,915	16,042	14,796	12,419
964	973	975	975	975
17,457	\$ 16,942	\$ 15,067	\$ 13,821	\$ 11,444
\$1.00	\$.97	\$.91	\$.78	\$.67
\$1.00	\$.97	\$.91	\$.87	\$.72
\$.97	\$.97	\$.91	\$.78	\$.67
\$.97	\$.97	\$.91	\$.87	\$.72

Net Income Available for Dividends
and Reinvestment in the Business (\$26,397,000)



Financial and Operating Statistics – 1965-1974 (cont'd)

	1974	1973	1972	1971	1970
Condensed Consolidated Balance Sheet (\$000's)					
ASSETS:					
Current assets	\$ 79,500	\$ 60,649	\$ 49,836	\$ 51,557	\$ 58,734
Investments	67,917	64,307	59,051	45,532	17,749
Property, plant and equipment	601,649	549,692	506,172	460,944	419,572
Accumulated depreciation and depletion	90,898	82,639	77,005	68,420	60,966
	510,751	467,053	429,167	392,524	358,606
Other assets and deferred charges	23,504	25,706	17,635	14,588	11,997
	\$681,672	\$617,715	\$555,689	\$504,201	\$447,086
LIABILITIES:					
Current liabilities	\$119,493	\$ 72,103	\$ 106,216	\$ 76,926	\$ 81,322
Long term debt	362,339	357,087	261,870	236,106	185,580
Deferred income taxes	18,609	16,224	12,285	8,891	6,529
Minority interest in subsidiary companies	1,197	2,114	12,482	15,549	727
Shareholders' Equity					
Preference shares	15,790	16,012	16,320	16,753	17,176
Common shares	72,940	72,940	72,926	72,712	72,578
Contributed surplus	3,364	3,293	3,233	3,195	3,136
Excess of net redetermined value of property, plant and equipment over depreciated book cost	14,808	15,024	15,761	17,576	17,925
Reinvested earnings	73,132	62,918	54,596	56,493	62,113
	180,034	170,187	162,836	166,729	172,928
	\$681,672	\$617,715	\$555,689	\$504,201	\$447,086
Consolidated Statement of Source and Use of Funds (\$000's)					
SOURCE OF FUNDS:					
Cash flow from operations	\$ 43,828	\$ 42,918	\$ 39,796	\$ 34,938	\$ 30,602
Issue of funded debt	30,000	104,728	32,000	50,000	—
Issue of preference and common shares	—	14	212	134	160
Sale of investment in shares of other companies	3,552	—	—	—	—
Reduction in mortgages receivable and other assets, net	1,134	800	206	(482)	(370)
	78,514	148,460	72,214	84,590	30,392
USE OF FUNDS:					
Net additions to property, plant and equipment	59,628	53,059	51,176	43,569	33,051
Investment in shares of subsidiary companies adjusted for working capital position at dates of acquisition	344	15,405	4,184	20,558	338
Investment in shares and warrants of Home Oil Company Limited	3,600	—	21,070	—	—
Investment in share of other companies	898	1,128	101	80	—
Investment in Gas Arctic— Northwest Project Study Group	828	1,572	—	—	—
Deferral of increased cost of gas	—	3,703	3,560	—	—
Reduction in non-current portion of long term debt excluding mortgages payables	23,610	9,947	6,616	5,073	4,856
Preference shares purchased for cancellation	151	248	377	423	469
Capital stock and debt issue costs, net	338	1,503	600	1,014	127
Dividends on preference and common shares	16,796	16,284	16,307	15,263	13,873
Decrease in mortgages payable, net	96	(436)	(382)	(199)	49
Miscellaneous items	764	1,121	(384)	1,590	(730)
	107,053	103,534	103,225	87,371	52,033
Increase (decrease) in working capital position.	\$ (28,539)	\$ 44,926	\$ (31,011)	\$ (2,781)	\$ (21,641)
Weighted average number of common shares outstanding during the year	17,510,173	17,509,896	17,506,093	17,490,886	17,476,077
Number of shareholders					
Common	27,323	28,026	29,895	26,168	27,255
Preferred	1,618	1,702	2,082	1,920	2,032

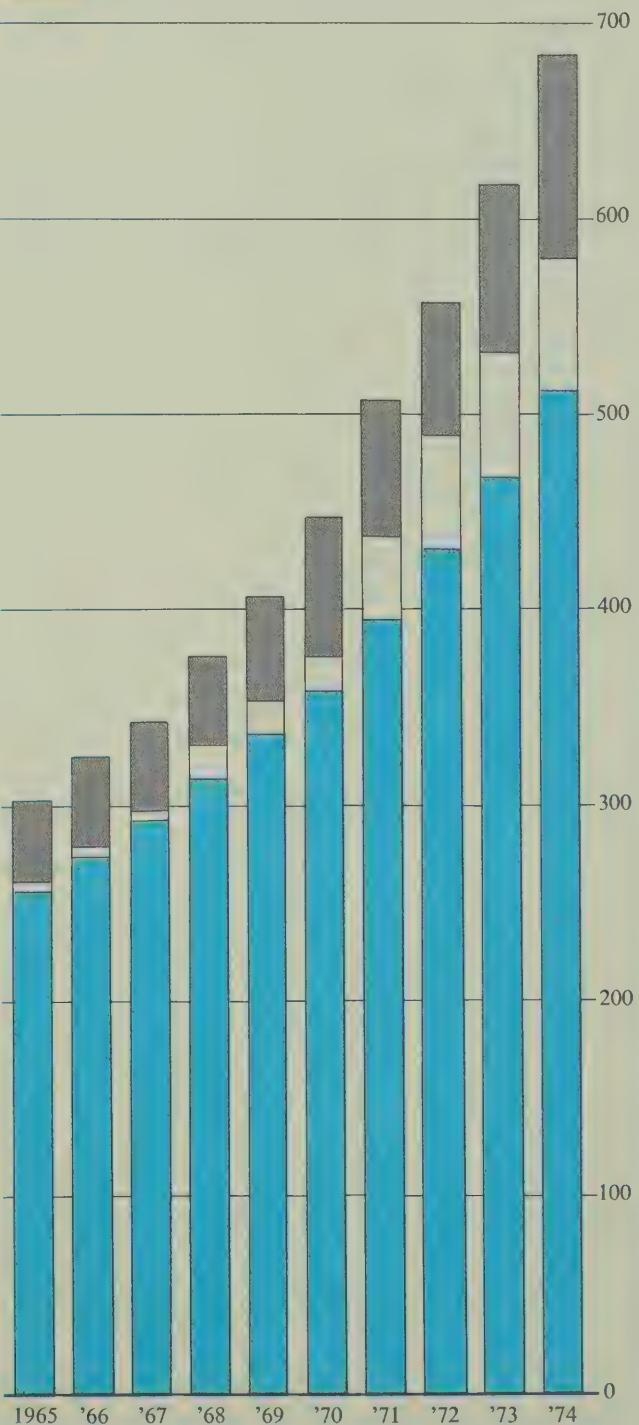
1969	1968	1967	1966	1965
\$ 44,189	\$ 32,242	\$ 28,310	\$ 28,749	\$ 27,511
17,058	16,790	3,598	3,339	3,201
394,488	369,410	335,362	312,107	290,785
58,864	56,329	41,300	36,794	33,922
335,624	313,081	294,062	275,313	256,863
11,697	14,058	17,463	16,150	14,945
\$408,568	\$376,171	\$343,433	\$323,551	\$302,520
\$ 45,136	\$ 69,867	\$ 32,958	\$ 34,613	\$ 19,351
190,485	136,716	141,835	144,396	146,107
5,389	5,109	5,055	5,006	3,653
—	—	—	—	—
17,645	17,925	18,000	18,000	18,000
72,418	72,371	72,257	53,216	52,985
3,025	2,980	2,977	2,977	2,977
18,498	20,606	25,704	26,236	26,767
55,972	50,597	44,647	39,107	32,680
167,558	164,479	163,585	139,536	133,409
\$408,568	\$376,171	\$343,433	\$323,551	\$302,520
\$ 27,572	\$ 25,695	\$ 23,892	\$ 21,721	\$ 19,632
60,000	—	—	—	36,102
47	114	19,041	231	172
—	—	—	—	—
2,545	2,505	(1,344)	(1,157)	(2,314)
90,164	28,314	41,589	20,795	53,592
33,087	31,476	26,542	25,468	19,858
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
—	—	—	—	—
5,068	4,399	3,552	3,077	2,458
280	75	—	—	—
1,399	—	380	—	502
13,541	12,497	10,654	8,900	7,147
1,163	720	(991)	(1,366)	(283)
(1,052)	(722)	236	(1,260)	(1,016)
53,486	61,291	40,373	34,819	28,666
\$ 36,678	\$ (32,977)	\$ 1,216	\$ (14,024)	\$ 24,926
468,215	17,460,727	16,527,768	15,847,870	15,823,785
26,526	25,205	25,477	22,757	21,589
2,116	2,218	2,263	2,290	2,350

Assets (\$681,672,000)

Current and Other Assets (\$103,004,000)

Investments (\$67,917,000)

Property, Plant and Equipment less Accumulated Depreciation and Depletion (\$510,751,000)



Financial and Operating Statistics – 1965-1974 (Cont'd)

	1974	1973	1972	1971	1970
Gas supply and sendout—MMcf					
Natural gas purchased	303,571	277,030	229,907	174,966	177,342
Natural gas produced	3,002	3,006	2,651	1,676	1,581
Total gas supply.	306,573	280,036	232,558	176,642	178,923
Gas into storage.	(51,289)	(46,612)	(32,399)	(26,186)	(40,908)
Gas out of storage.	36,984	30,704	42,281	30,979	25,457
Total gas sendout	292,268	264,128	242,440	181,435	163,472
 Gas sales to customers—MMcf					
Residential	62,538	59,249	55,320	53,465	51,568
Commercial.	82,814	73,794	65,969	54,651	46,782
Industrial and other	144,534	128,188	118,757	70,548	63,110
Total sales	289,886	261,231	240,046	178,664	161,460
Use by company.	468	507	453	385	374
Unbilled and unaccounted for	1,914	2,390	1,941	2,386	1,638
	292,268	264,128	242,440	181,435	163,472
 Maximum daily sendout Mcf	1,435,700	1,257,600	1,148,300	977,900	855,300
Minimum daily sendout Mcf	272,600	286,300	236,600	158,000	134,400
Average daily sendout Mcf	801,000	724,000	662,000	497,100	447,900
Degree day deficiency (Note 1)	7,681	7,520	7,805	7,874	8,065
 Number of active customers (year end)					
Residential	427,181	406,596	391,270	375,275	363,365
Commercial.	39,465	35,384	32,985	30,755	28,428
Industrial and other	5,685	5,415	5,295	5,176	4,876
Total.	472,331	447,395	429,550	411,206	396,669
 Cost to customers					
Average revenue per Mcf					
Residential	\$1.34	\$1.27	\$1.27	\$1.26	\$1.26
Commercial.	\$.93	\$.85	\$.84	\$.85	\$.86
Industrial and other	\$.69	\$.62	\$.61	\$.63	\$.63
Average use per residential customer—Mcf	145.0	143.2	141.0	141.7	141.0
Number of employees	2,703	2,550	2,379	2,322	2,377
Miles of mains in use.	8,487	8,264	7,934	7,640	7,461
Population of area served.	4,238,000	4,180,000	4,085,000	3,960,000	3,862,000

Note 1: Degree Day Deficiency Figures given are those for the Toronto area. The deficiency is a measure of coldness during the heating season and is calculated by adding together the total number of degrees daily mean fell below 65° on those days when it did so.

<u>1969</u>	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>
148,742	127,180	111,132	109,094	95,721
764	270	374	189	70
149,506	127,450	111,506	109,283	95,791
(24,039)	(22,256)	(16,305)	(18,093)	(17,096)
20,344	21,321	20,075	13,521	16,067
145,811	126,515	115,276	104,711	94,762

46,942	46,326	43,270	40,885	38,883
38,971	30,114	25,541	21,306	16,918
57,939	49,124	45,323	41,213	38,203
143,852	125,564	114,134	103,404	94,004
386	231	197	178	175
1,573	720	945	1,129	583
145,811	126,515	115,276	104,711	94,762

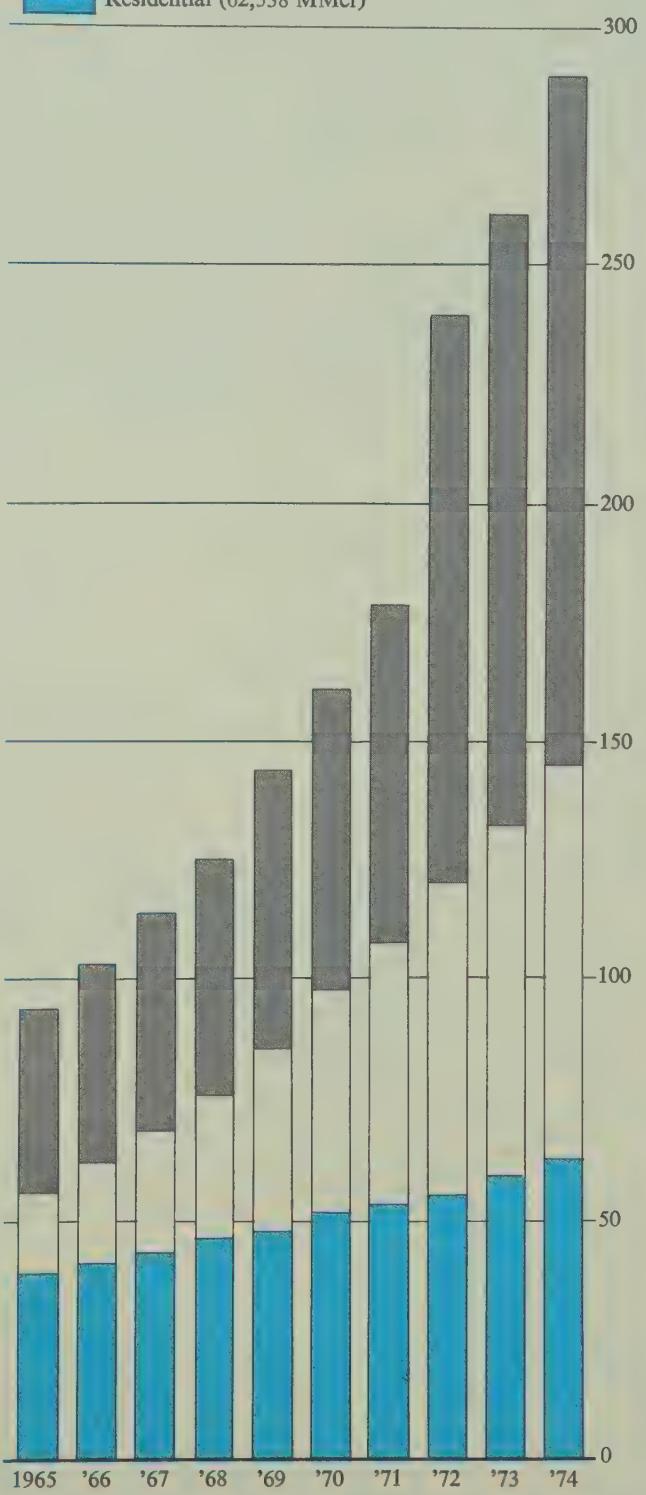
739,800	719,800	616,500	524,200	489,700
135,100	126,700	106,000	102,000	94,800
399,500	346,600	315,800	286,900	259,600
7,700	7,845	7,826	7,759	8,037

352,597	339,145	328,793	319,029	310,739
26,342	24,503	22,569	20,837	18,530
4,630	4,178	4,149	4,087	4,043
383,569	367,826	355,511	343,953	333,312

\$1.27	\$1.27	\$1.28	\$1.28	\$1.29
\$.87	\$.91	\$.93	\$.93	\$.96
\$.62	\$.63	\$.63	\$.60	\$.59
132.8	135.8	130.8	126.8	125.2
2,221	2,142	2,166	2,053	2,081
7,321	7,084	6,841	6,433	6,345
65,000	3,682,000	3,610,000	3,490,000	3,340,000

Gas Sales to Customers (289,886 MMcf)

Industrial and other (144,534 MMcf)
 Commercial (82,814 MMcf)
 Residential (62,538 MMcf)



LAKE HURON

GEORGIAN BAY


Consumers' Gas
AND SUBSIDIARIES
SERVICE AREA
SEPTEMBER 1974

- Consumers' Franchise Areas
- Offshore Exploration Acreage
- Consumers' Distribution System
- TransCanada PipeLines
- Great Lakes Gas Transmission Company
- Union Gas Company Transmission Facilities
- Underground Storage

TECUMSEH GAS STORAGE

UNION GAS STORAGE

LAKE ERIE

PENETANGUISHENE
MIDLAND
PORT McNICOLL

COLLINGWOOD

STAYNER

BARRIE

ANGUS

ALLISTON

SHELBURN

ORANGEVILLE

HILLSBURGH

BOLTON

ERIN

W. ST. CATHARINES

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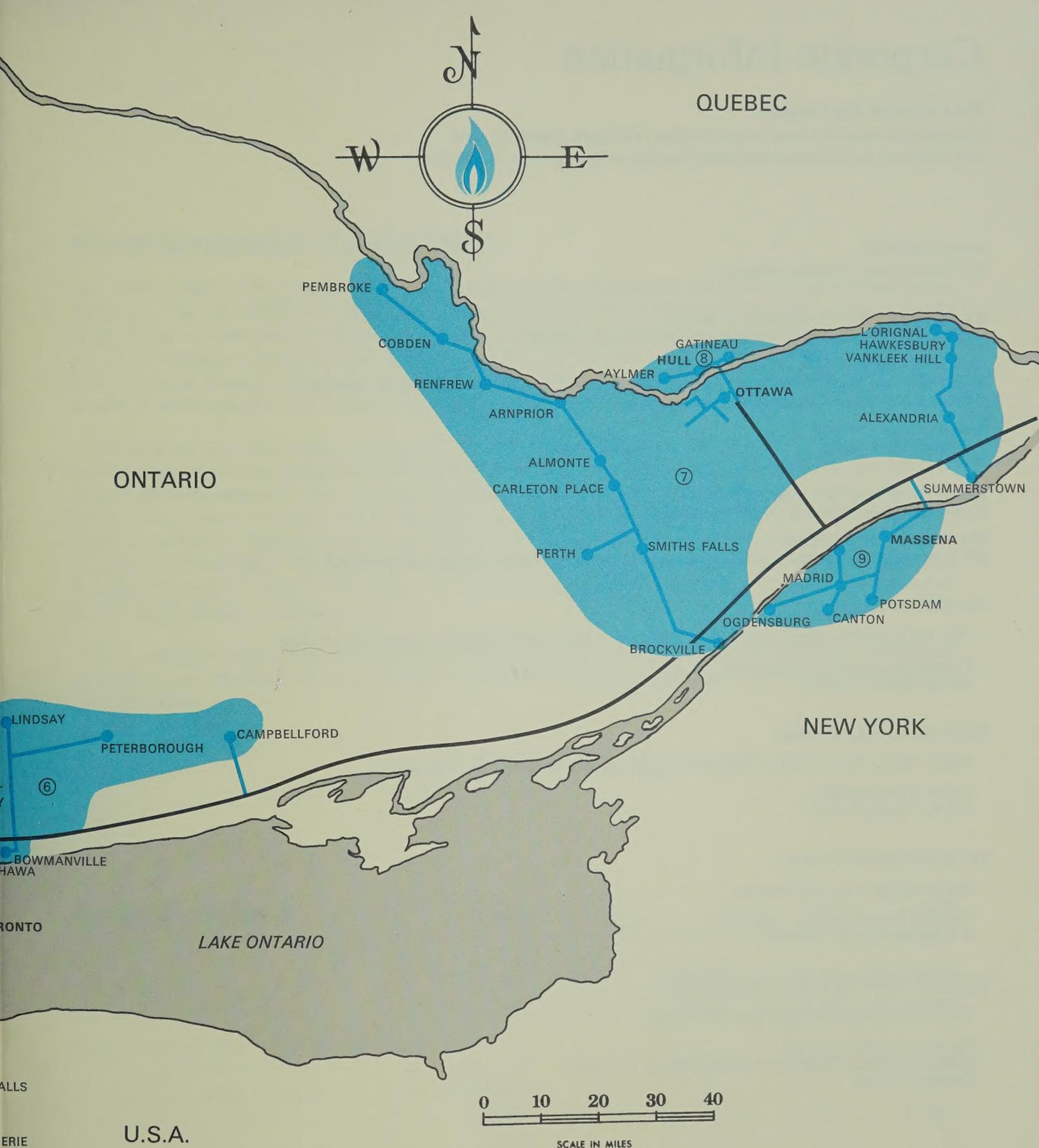
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Central	③ Georgian Bay	④ North Central	⑤ Metro Toronto	⑥ East Central	⑦ Eastern Ontario	⑧ Gazifère de Hull	⑨ St. Lawrence Gas
	4,380	7,202	204,029	12,134	12,956	4,381	5,447
	11,487	19,029	243,787	23,609	21,978	7,117	9,341
	1,933	1,837	45,209	3,588	7,869	2,506	2,861
	6,288	7,192	167,345	10,728	18,412	2,905	5,519

Corporate Information

The Consumers' Gas Company

Incorporated under the laws of the Province of Canada March 23, 1848
and continued as if incorporated under the laws of the Province of Ontario

HEAD OFFICE

19 Toronto Street, Toronto, Ontario

REGISTRAR AND TRANSFER AGENTS (COMMON SHARES AND PREFERENCE SHARES, GROUP 1)

Canada Permanent Trust Company
20 Eglinton Ave. West, Toronto and in St. John's, Halifax, Charlottetown, Saint John, Montreal,
Winnipeg, Saskatoon, Calgary and Vancouver

Bankers Trust Company
New York

REGISTRAR AND TRANSFER AGENT (CONVERTIBLE PREFERENCE SHARES)

The Canada Trust Company
110 Yonge St., Toronto and in Halifax, Montreal, Winnipeg, Regina, Calgary and Vancouver

TRUSTEE (BONDS)

5%, 5½%, 4.85%, 8½%, 8%, 8¾%, 9½% and 11¾% First Mortgage Sinking Fund Bonds

Canada Permanent Trust Company
320 Bay Street, Toronto

TRUSTEE (DEBENTURES)

4¼%, 4¾%, 5½%, 5¾%, 5¾%, 6%, 6½% and 8% Sinking Fund Debentures

Crown Trust Company
302 Bay Street, Toronto

TRUSTEE (DEBENTURES)

8½% Sinking Fund Debentures

National Trust Company, Limited
21 King Street East, Toronto

TRUSTEE (CONVERTIBLE DEBENTURES)

5½% Convertible Sinking Fund Debentures

The Royal Trust Company
Royal Trust Tower, Toronto-Dominion Centre,
Toronto, Ontario

The paper used in this report contains recycled fibre. This selection was made by Consumers' Gas as a contribution to the conservation of natural resources and to the protection of the environment.

About Consumers' Capital Stock

The common shares of the Company are 97.3% Canadian owned and are listed on the Toronto and Montreal Stock Exchanges. They are without par value and as at September 30, 1974, 17,510,173 shares were outstanding. The holder of each common share is entitled to one vote at all shareholders' meetings and to dividends as declared by the Board of Directors. The Consumers' Gas Company has paid dividends continuously without interruption since 1848. Dividends are paid quarterly on the 1st of October, January, April and July. The quarterly dividend paid on October 1, 1974 was \$0.25, an increase of \$0.03 over the previous quarterly dividend.

The Company has three classes or groups of preference shares authorized, each issuable in series. Preference Shares, Group 1 have a par value of \$100 each, three series of which have been issued. None of the Preference Shares, Group 2 with a par value of \$25 each have been issued to date. On November 1, 1974 the First Series of the Preference Shares, Group 3 with a par value of \$20 each was issued. This issue has a conversion feature which entitles each holder to convert his preference shares into common shares of the Company for a fixed period of time and on a specified conversion basis. The holders of all the preference share issues are entitled to receive fixed cumulative quarterly dividends in priority to dividends on the common shares. Additional rights and privileges are attached to each of the classes of preference shares.

The Convertible Sinking Fund Debentures, issued in 1969, also have a conversion feature which entitles each holder to convert his debentures into common shares of the Company for a fixed period of time and on a specified conversion basis.

Common Shares	1974	1973	1972	1971	1970
Shares Authorized	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Shares issued at September 30	17,510,173	17,510,173	17,509,348	17,495,745	17,486,828
Additional shares which may be issued upon :					
Conversion of debentures	2,617,113*	2,549,915	2,549,915	2,550,000	2,550,000
Conversion of preference shares	1,333,333*	—	—	—	—
Exercise of Stock Options	86,957	89,757	53,425	70,093	82,060
Dividends declared per share	\$.91	\$.88	\$.88	\$.82	\$.74
Number of Shareholders at September 30 . .	27,323	28,026	29,895	26,168	27,255
Distribution of Shares at September 30					
Canada	97.31%	97.08%	97.13%	96.84%	97.00%
Other	2.69%	2.92%	2.87%	3.16%	3.00%

*Following the November 1, 1974 issue of convertible preference shares

